

**CALIFORNIA HIGH-SPEED RAIL AUTHORITY**  
**MEETING MINUTES**  
**January 28, 2003**  
**SAN FRANCISCO, CALIFORNIA**

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The meeting of the California High-Speed Rail Authority was called to order on January 28 at 9:00 a.m. at the City and County of San Francisco Board of Supervisors - City Hall, San Francisco, California.

Members Present:      Rod Diridon, Sr., Chairperson  
                             Fran Florez, Vice Chairperson  
                             Jerry Epstein, Vice Chairperson  
                             Dr. Ernest A. Bates  
                             Ben L. Hom  
                             William E. Leonard  
                             Joseph E. Petrillo  
                             T.J. Stapleton  
                             Leland Wong

**Approval of Minutes for November 20, 2002 Meeting**

Chairperson Diridon presented the minutes for approval. Vice Chairperson Epstein moved to approve the November 20, 2002 meeting minutes. Member Hom seconded the motion, which carried 6-0.

**Authority Members' Meetings for Compensation**

Chairperson Diridon presented the list of meetings for compensation for approval. Member Hom moved to approve the list of meetings for compensation. Vice Chairperson Epstein seconded the motion, which carried, 6-0.

**Appointment of Technical Advisory Group**

Chairperson Diridon stated staff and the Attorney General's office are reviewing the appointment of a technical advisory group. Chairperson Diridon asked for the approval to authorize the appointment of a technical advisory group subject to the developmental procedures and approval by the Attorney General's office. Member Leonard moved to approve the action, Member Hom seconded the motion, which carried 6-0.

Chairperson Diridon introduced San Francisco Supervisor Fiona Ma. Supervisor Ma welcomed the Authority and audience and encouraged the Authority to continue its endeavors.

Dr. Bates entered the meeting.

**Overview of International High-Speed Rail Systems**

Executive Director Mehdi Morshed presented some background information on the overview of international high-speed rail system presentations. Deputy Director Dan Leavitt, introduced Wayne Williams, Director of Marketing and Business Services for Siemens Transportation Group. Mr. Williams presented an overview of the German high-speed rail system.

Member Leland Wong entered the meeting.

Deputy Director Leavitt introduced Stan Feinstod, Senior Vice President of Systra Consulting. Mr. Feinstod presented an overview of the French high-speed rail system.

Deputy Director Leavitt introduced Mr. Nakayama, General Manager of the Central Japan Railways, Washington, D.C. office. Mr. Nakayama presented an overview of the Japanese Shinkansen high-speed rail system.

Deputy Director Leavitt introduced Jean-Pierre Ruiz, Executive Vice President, CEO of Talgo America. Mr. Ruiz presented an overview of the Spanish high-speed rail system.

Deputy Director Leavitt introduced Diego D'Elia, Transportation Engineer of Italferr. Mr. D'Elia presented an overview of the Italian high-speed rail system.

Deputy Director Leavitt introduced Stan Feinstod, Senior Vice President of Systra Consulting. Mr. Feinstod presented an overview of the high-speed rail system under construction in Korea.

Deputy Director Leavitt introduced Peter Gertler, Senior Project Manager of Parsons Brinckerhoff. Mr. Gertler presented an overview of the high-speed rail system under construction in Taiwan.

Copies of these presentations are available upon request.

### **Executive Director's Report**

Executive Director Mehdi Morshed reported the Attorney General's office sent a letter to Eurostar regarding the copyright issue and the Authority is waiting for Eurostar's response.

Executive Director Morshed expressed gratitude to Caltrans for agreeing to help the Authority with its computer network and for including the Authority in the Caltrans Executive Development Program. Through this program, Caltrans has assigned Marsha Mason to the Authority for the next six months.

The Authority requested a \$6.8 million budget for fiscal year 2003-2004 to finish the environmental process. In addition, the requested budget was designed to provide the Authority with the necessary information and tools to proceed with the implementation of the project if the voters approve the bond measure in November 2004. The requested budget would also fund the development of an implementation plan, update ridership and revenue forecast, outreach program, and a study of shared-use facility.

The Governor's proposed budget recommends that the Authority staff be eliminated and that Caltrans provide all staff services to the Authority. It provides \$1.8 million for the completion of the final EIR/EIS, which is to be completed by Caltrans staff and contractors. We do not have the details on this recommendation.

The function of the Authority is to carry out the assignment given to it by the Governor and Legislature in the statute, which is to design, build and operate a statewide high-speed train system. Our responsibility is to provide the information to the decision makers as to what it takes to accomplish this assignment. The issues that we have to address are, should this proposal (Governor's proposal), with the little information that we have available be implemented, what would it do to the ultimate goal of implementing the high-speed train? The fundamental question is what will be the impact of this proposal

on the ultimate goal of building the high-speed train. If you have a Board that has the responsibility of building a \$25 billion project, can that Board fulfill that obligation without having any staff or any budget to address the need, what would happen if there were disagreements between what the Authority wanted to do and what Caltrans objectives are? Who takes direction from whom? Who is responsible? Those issues need to be addressed if you are going to be able to carry out a monumental task, with the likes of which has not been taken on in decades. It requires a great deal of thought and understanding.

Chairperson Diridon stated he had no warning of the proposed recommendation, but did speak to the Director of Caltrans and the Chief of Staff for the Governor and others in position of responsibility. He stated he is convinced that there is no malice or forethought in this proposal. Chairperson Diridon stated he disagrees with the course they are taking. But believes they believe that this is the right course to pursue high-speed rail, given the budget crisis and given their confidence in Caltrans Director Jeff Morales. Chairperson Diridon shares in their confidence of Director Morales' attempt, in good conscience, to make what has been a highway department into a transportation department. Chairperson Diridon stated his concerns as follows. We have to not talk about personalities in this process; each one of us on this Board will probably not be here when this system is finally completed. Therefore, we need to build an institutional system around a system that will work for the whole project. Not for the period of time when one or two or many remarkable personalities are available to us. I hope that as we move through this we realize that on all sides of this issue we have people of good faith trying to do what they think is right in the circumstance. Now we have to reason through what will be right for the project for the duration of the time that we have to build it. Chairperson Diridon introduced Senator Dean Florez.

Senator Dean Florez stated this is a horrible decision on the part of the Governor. To put this in context, look at Caltrans new vision plan in its Transportation Plan. Because in essence the Authority is a visionary in what it's doing today and what it has done. And let me name a couple of things, the business plan; funding the environmental process; the financing mechanism that is in place; half the EIR that is completed; the relationship with the Federal Government, all of these things are progress. If you start to think about how this relates to Caltrans 25 year vision for state of California, high-speed rail is not included anywhere except in the glossary. It is not part and parcel of what Caltrans does, it is not part and parcel of their vision and in fact if it were, I think high-speed rail would have been part of their 25-year Transportation Plan for California.

Let me say that in terms of the Legislature this will be a large point of a debate. I have already talked to both Senator Dunn, the Chairman of the Finance Subcommittee and Senator Murray, and other people who are advocates of high-speed rail. No one is happy with this particular decision. We all know that we need to trim back in the Legislature. But there is a difference in trimming back and killing a program. Many of us in the California Legislature believe that merging high-speed rail into Caltrans would in essence kill high-speed rail as we know it and destroy the progress I mentioned earlier.

I would like to tell you that we point to three case studies in the California Legislature that say that Caltrans and High-Speed Rail will not mix. We were looking at three decades. In the 1970's you had the San Francisco to San Jose line. Caltrans was given the opportunity to operate and improve that train system. As you probably know, Caltrans performed so poorly that three counties formed a Joint Powers Authority to take that over and now that ridership has increased dramatically. In the 1980's Caltrans was given the high-speed rail planning. Nothing happened with that particular Director until an independent group such as you was created outside of Caltrans to discuss and make that project workable. In the 1990's the Capitol Corridor service was given to Caltrans by the California Legislature, and as you know, a few years later, a Joint Powers Authority was formed because Caltrans did such a horrible job of running that service. Now the Capitol Corridor is an outstanding success. Three case studies the Legislature will look at and I think in essence we will probably make the judgment that Caltrans, despite

its good work on roads, really will not provide the kind of leadership we demand when we talk about rail and high-speed rail programs.

In fact, I think that rail would be more of a distraction to Caltrans. Furthermore, I do not feel very confident that voters will want to vote for a bond measure that would send money to build a high-speed rail system to Caltrans. That may just be my gut perception as someone coming from the Central Valley, but I will tell you that I don't feel that proponents and the people who will vote for this measure would feel comfortable that a lion's share of money will go to Caltrans and somehow be built in their lifetime. I think we face our own challenges with that dilemma nonetheless putting into Caltrans' hands obviously makes the point that this system will never get going.

In terms of the EIR/EIS document you are well on your way. I think that there may be challenges in court that could jeopardize this project if we switch mid-term to Caltrans; I think that you as a Board should discuss this. I think that we have put too much money into this, and we talk about saving money for the State, but at the same time we do not want to waste money. We all know about projects that have moved forward in the Legislature only to be cut prior to completion. I think that we at the California Legislature are not interested in doing that anymore. We would like to see this project to fruition. We'd like to make sure that your work continues.

One point of contention will be a bill that we introduced today, Senate Bill 91 that would actually move all Caltrans rail operations under the Authority's guidance. This is a debate long over due. The Governor has opened a Pandora's box when it comes to discussing rail. I think that after talking to Senator Murray and my colleagues in the Assembly its time to have a debate in this context on whether or not rail itself should be consolidated under a Rail Authority. We ought to give it the attention that we think it deserves and quite frankly you are the body to make sure that all rail works together in coordination. Both passenger rail and high-speed rail must be linked, every one of your studies says that and we believe that this Authority would probably be the place that it should land. Now that is going to be a monumental task. But we believe we will show cost savings. We believe that when all is said and done, that contracting out the rail services as you have at the High-Speed Rail Authority, will actually be more cost efficient in terms of this budget. So we plan to make the case in the California Legislature and I wanted to make sure that you knew that we are not happy at all with this particular budget action. Quite frankly, many of us were shocked and surprised to read that in essence, this is going to be moved under Caltrans. I hope you know that one of the things we want to do is obviously work with the Governor. Thank you for all of your work. You have worked very diligently. I would hate to see it all go to waste. I think that this is an important project and it is the future of California. I do plan to ride this system. I want to make sure we do not kill it off early.

Chairperson Diridon thanked Senator Florez for his time and strong statement.

Vice Chairperson Epstein asked if the Legislature is able to block the Governors' recommendation. Can it be passed without the approval of the Legislature? Senator Florez stated he believes that the Legislature does have to approve the Governor's recommendation. There is support on both sides of the Legislature. A letter concerning this issue was sent to the Governor that was signed by both Senators and Assemblyman.

Member Petrillo thanked Senator Florez for coming to the meeting today and for his support of the Authority. He asked if the Authority has the support of the leadership of both houses. Senator Florez stated that he has talked to Senator Burton briefly and to let you know we are trying to show the cost effectiveness of this particular approach. Hopefully the Governor recommended this action based on budgetary constraints. We hope to make the case that it would actually be more cost effective the way we

are proposing. Member Petrillo asked if the President Pro Tem of the Senate understands the difference between cutting cost and changing the whole agency? Senator Florez answered positively and encouraged everyone to write letters and make calls to the Governor, Pro Tem and the Speaker.

Member Leonard commended Senator Florez for coming to the meeting this morning and stated that he himself intends to ride the high-speed train system.

Member Bates asked if the Department of Finance published a cost savings on the consolidation. Senator Florez referred the question to Executive Director Morshed. Executive Director Morshed stated the Department of Finance has not declared a cost savings, staff cannot identify a cost savings, and in fact the Legislative Analyst Office will be trying to identify those cost savings. The recommendation is to shift the cost, not reduce the cost. David Valenstein of the Federal Railroad Administration called him and stated that he would cooperate with whatever state agency is in charge of the EIR/EIS, however Mr. Valenstein expressed concern over the proposed change potentially jeopardizing the EIR/EIS process. George Spanos and Christine Sproul of the Attorney General's Office have been looking at the legalities and will prepare a memo for the Board in which they will address the impact on the EIR process because with one agency starting the process and one agency completing the EIR, it raises certain issues that could jeopardize the process.

Senator Florez thanked Chairperson Diridon and stated he looks forward to working with the Board on this issue.

### **Members Reports**

#### **Chairperson Rod Diridon, Sr.**

I had no advanced warning of the proposed recommendation, but I did speak to the Director of Caltrans and the Chief of Staff for the Governor and others in position of responsibility and I am convinced that there is no malice intended regarding this proposal. I believe they think this is the right course to pursue high-speed rail, given the budget crisis and given their confidence in Caltrans Director Jeff Morales. I share their confidence in Director Morales' attempt to make what has been a highway department into a transportation department. But we can't build long-term institution structure around personalities. It's likely that none of us, on this Board, will be here when this system is completed. Neither will our Governor nor Director Morales have their current responsibilities. Therefore, we need to build an institutional organization around a system that will work for the duration of this long, complex project. Not for the period of time when several remarkable personalities are available to us. I hope that as we move through this we realize that on all sides of this issue we have people of good faith trying to do what they think is right in the circumstance. Now we have to reason through the institutional structure that will be optimum for the 10 to 30 years during which this massive project will be built. Let us each now share the questions for which we, and the people of California, must have answers to allow this important, indeed historic, project to proceed without delay.

#### **Member William E. Leonard**

You don't know where you are going, unless you know where you've been. I am concerned over the proposal to consolidate the staff of the Authority with Caltrans. I do not doubt the Governor's good faith support because the Governor has proven his support many times. I fear that the proposed consolidation would have some unintended consequences, likely jeopardizing the entire project. The reason being the difference between Caltrans and the Authority: Caltrans and the Authority have different organizational structures, different statues, and different corporate cultures. I can speak with authority on this because I first served on the California Highway Commission in the early 1970's. Caltrans was initially designed and staffed to build the best freeway system in California. We have 12,000 miles of excellent highways. A major change in purpose and process occurred, as it became Caltrans. Caltrans has changed from an

organization of 12,000 personnel whose primary purpose was to design and produce the best freeway system into an organization of 23, 000 that primarily deals with others in the processing and maintaining of highways. This responsibility is shared with others, some 70+ regional authorities such as SCAG, SANBAG, to departments of transportation throughout the state. This layering of responsibility both within Caltrans and its divisions and other transportation agencies all who have their own parochial interests does not bode well with the objective of serving California with another major transportation mode, mainly high-speed rail.

The Authority is charged with the responsibility of planning the development and implementation of an intercity high-speed train service that will achieve speeds of at least 200 mph and be fully integrated with California's existing intercity rail and bus network. Because of that charge, that is why Senator Florez's Bill SB91 deserves our individual support. It's going to be an important piece of legislation.

During the years of 1998 to today the Authority has accomplished the development of the business plan, initial financial plan, initial environmental process, in which we expect there to be no fatal flaws. The Authority sought and received the support of the Federal Railroad Administration. The Authority has succeeded in these accomplishments with a staff of four. The Legislature in all its wisdom, developed a unique statutory Authority, designing a truly public, private venture where each entity can do what it does best and without that element I just don't see how we can achieve success, but with that element it has and will continue to spell success. The public sector can perform the risky task of the environmental clearance which we are doing, acquisition of rights -of way, which we will be doing after the environmental process is concluded, and low interest financing, with the possibility of zero interest federal grants. The private sector can't do those things but can perform the tasks of engineering, construction, operation, and maintenance. Here is an important distinction, they can be held accountable for costs and services for each of these tasks by a contractual relationship with the state. The Authority has been traveling down this road since 1998 with outstanding results. Now is not the time to change horses or the time to ride off in the wrong direction, we dare not take that risk. I trust that members of this Authority individually and collectively would call upon the Administration and Legislature to return to the original proposal.

#### **Member Joseph E. Petrillo**

I am an appointee and supporter of Governor Davis. I have also administered a state agency and therefore understand the pressures of the budget process and how the budget works. I also understand the limits that we have and the need for all of the agencies and initiatives to bear the burden. However, I suspect that in this budget process the Governor was faced with literally thousands of cuts and adjustments and under those circumstances and given the budget crisis I am sure it is very difficult for the Governor himself to have focused on the full implications of this consolidation. Obviously he is receiving some advice as to whether this will actually prove to be a cost savings. I'd like to address that issue.

As someone who has administered an agency for a long time, there is absolutely no cost savings to be found in any sort of task being administered by a larger agency or a separate entity. There are no economies of scale in government and I would be happy to give you my full opinion and analysis of why that is. The movement toward a larger agency will only increase the level of bureaucratic or personnel levels of decision-making between the activities of the Authority and the delivery of the goods. It is impossible for a Director of a large, multi-task agency no matter how good and committed to give the attention to any particular task that is necessary to make sure that the activity is delivered in the best and most efficient way possible. The staffing, if this were to occur, would be difficult at best to get staff for which experience in this area would be appropriate. The general way it works in government is staff is taken from other assignments, staff who unfortunately management are more interested in out-placing than continuing to work on them and I suspect that this agency would be subject to that normal process.

The excellence of the staff that we have developed here, even if some of them were to be taken over, would be quickly and completely diluted.

Any large agency like Caltrans, brings with it its own procedures and rules and ways of doing business. Those procedures and procedures are often different and inimical to the ability to move quickly and get this type of project underway. The language effectively changes the staff and removes any authority on the part of this Agency because obviously the way it is set up in the language, the staff is separate from and effectively reports to an entity other than the Authority. The result of that is not that the best, highest, or most creative person in Caltrans will be working with us in making decisions but that in effect, the staff member on the line would probably have discretionary authority on most of the decisions that are made by this agency on whether to accept them or carry them out.

In addition I am concerned about this because as the Senator indicated, I suspect that this would be a major negative to any campaign to raise the funds. It is very difficult to suggest that Caltrans is the agency that is capable of efficiently running a system such as this. As far as SB91, I am intrigued by the concept. I really do believe that there is a need for a rail transportation entity, whether it is this entity or some other entity. Because as we have seen from the international presentations, the long term economic benefits of a balanced transportation system cannot be understated. To have one of the elements, the rail element, being the only element, not independent and subservient to the road element, I think would prevent the balance transportation system that California will need in the future because this state has gone from being a growth state to a mature and very mature industrialized state. The need in the long term for both initiatives that the Governor has in terms of the modes of research centers must be coupled with a fully balanced and effective transportation system or we will over the long run see our economic strength and growth eroded over time.

#### **Member T.J. Stapleton**

I agree with Senator Florez that the rail system should have a stand-alone entity. I don't see any cost savings in this project were to go over to Caltrans. I feel we will be better off in the long term to bring in new engineers, and have an organization that works on its own, not tied with the highway department. This is going to go before the people of California and there are a lot of people that are going to feel that they cannot support a proposition that is going to mix railroads with highways. Highway people see money going into rail and vice a versa. We are going to see a lot of people remove their support for the bond measure. And I expect there will be a great deal of support for SB91.

#### **Vice Chairperson Jerry B. Epstein**

Member Leonard and I have both served on the California Transportation Commission, which oversees Caltrans. The proposed change is absolutely devastating to those of us who have served so many years on this Authority. This project is a labor of love for us. A lot of us are very busy but we love this State. We have the 5th largest GNP in the world; we must not look to 5 years from now, but look to 25 - 50 years from now. This system must be built. Just as I have served on the Airport commission, I know that the train system is absolutely essential for the delivery of people and goods to our State. We hear a lot about Hollywood, we all know that the number one industry in this state is agriculture. Senator Florez is from that area and is very well acquainted with the needs of that region. We must preserve the integrity and the quality of what we are doing. In all due respect, Caltrans is a wonderful organization but has proven in the past it can't handle rail improvements, and in my opinion this change would mean the death knoll for high-speed rail in the foreseeable future. I beseech the Governor to help us and that the Legislature be made aware, hopefully with the efforts of Senator Florez, that this course that has been proposed is absolutely a death knoll to high-speed rail.

**Vice Chairperson Fran Florez**

I thank Senator Florez for taking time out of his schedule to address the Authority. I agree with all the comments the Board members have made so far and I will not repeat them. I am primarily concerned with the bond issue. I think the voters of the state of California, myself included, are more likely to fund a project proposed by a body whose sole function and purpose is the planning, building, and operating of the high-speed rail system, because the focus has to be there. I don't think they are going to support the bond for Caltrans. I agree that Caltrans is a wonderful organization for highways but not for rail. I would like to see the Legislature block this proposal as I think the bond issue will be in jeopardy.

**Member Leland Wong**

I have grave concerns with the elimination of the Authority's staff and budget. I think that everyone is aware that the area of transportation system is in dire straits. If you look at the various presentations we received today from various countries, they get it. They understand the investment for the future. As far as I am concerned, California is way behind the curve on investing in high-speed rail. Why is it these countries around the world understand the value of high-speed rail and a good transportation system and here we are California, the largest state, the 5th largest economy and we don't get. And we are about to eliminate the Authority's ability to proceed for very little savings. I want to register my concern and I want to support Senator Florez in bringing some understanding of what is required to move this state forward and that is to keep the Authority together to ensure that we have a transportation system that makes sense.

**Member Ernest A. Bates**

I share in the sentiment of all the comments and remarks of the Board. However we seem to be operating in the dark. The main issue is the question of governance. We need to know who is responsible for policy decisions, who will implement those policies and who is accountable to whom.

When will someone from the Governor's office, the Department of Finance or Caltrans come before the Authority and inform us of the Governor's intentions on governance issues? Chairperson Diridon stated that he invited the Caltrans Director to the meeting, however he declined because he felt it was too premature and looks forward to being with the Authority at a future meeting. Senator Florez stated Senator Murray and he are requesting an oversight hearing within the next week to discuss the logistics of this proposal. Executive Director Morshed reported he received a call from Senator Murray who expressed his concern about the proposal and stated that there will be a hearing on February 4th and requested that Executive Director Morshed present the potential impact and share the views of the Authority at the Senate Hearing.

**Chairperson Rod Diridon, Sr.**

I've chaired Joint Powers Authorities for seven different alternative analysis and environmental clearances. Those are very delicate processes. The legal procedures that must be carefully followed in order to avoid delaying or disqualifying legal action are quite complex. As you know we have invited the Attorney General's office and our federal review authority, the Federal Railroad Administration, to our meetings and to review all of our legal documentation. We cannot allow a mistake that could cause delay to this important project.

I have known the Governor for almost 30 year and the Caltrans Director for over a decade. I believe that their hearts are in the right place when it comes to high-speed rail. Indeed, both are mass transportation and rail supporters. I fear, though, that they are proposing the creation of an institutional structure, which is far less than optimal for this kind of complex, nontraditional transportation project. I have four concerns or questions that need to be addressed:

- If the budget proposal passes as presented, on July 1<sup>st</sup> Caltrans would take legal responsibility for administrative staffing as well as environmental, design, engineering and contract management



for the current Program Level Environmental Clearance. The California High Speed Rail Authority Board, which currently has those responsibilities, is scheduled to take legal action on the "Draft EIR/S" in August to file a "Record of Decision" by the end of the year. In an environmental review, it is the responsibility of the staff, supported by the technical consultants, to recommend the best alternatives to the Board prior to the Board's action. That's the law. In our timetable the Board will act on the Draft EIR/EIS in August with a final Record of Decision filed in December. Will the fact that we legally change staff responsibilities, from an independent staff to Caltrans, for this Board in this period of time jeopardize the legal viability of the environmental process? I know the Federal Railroad Administration is concerned about this and I am very concerned. If this budget language is adopted, our staff won't necessarily be there to give a recommendation yet they are the staff that has worked with the engineering firms all through this process and has the background upon which to base the recommendations. The staff that will be reporting to us at the time the CHSRA Board takes the action will be Caltrans' staff. Caltrans may bring some or all of our current staff over to assist. But those individuals would no longer be working independently for CHSRA Board, as originally intended by the California Legislature, but rather would be working for Caltrans. I fear that may create a serious legal impediment. The CHSRA Board must have a written declaration from the Attorney General's office regarding the potential legal jeopardy to the EIR/S that this staffing change may cause.

- Access to specialized experience is pivotal for this huge and unique project. This Authority can hire whatever experience we need. We have brought together for special discussion the best tunneling experts in the world, experts in the design of high-speed rail systems and experts in the manufacture and operations of high-speed rail equipment. We have consultants working for the Board that have those and other unique and required experiences. None of those kinds of experiences reside within Caltrans. Caltrans has never built a high-speed train system; no has any organization in America. This 700-mile, double track, grade separated, electrically powered, 200 plus mile-per-hour system is one of the most complex and is the largest single public works projects in the nation's history! Some derivation of a design/build or design/build/maintain contract might well be considered optimum. For some very good and legal reasons Caltrans does not do those kinds of contracts. Indeed it is very difficult for Caltrans to even contract out for large, long-term design and consulting services. How do we assuredly bridge that gap not for just the immediate environmental review, that is a different issue, but for the longer-term design, construction, maintenance and operation of this huge project?
- Several of you have mentioned the bond ballot in November 2004. If that bond issue is not approved, then we don't have a project. I think that Caltrans has come a long way toward establishing multi-model credibility and a better reputation for delivering on budget and schedule; but I don't think the average, voting Californian agrees. Unfortunately, most think of Caltrans as a highway department and remember projects like the Bay Bridge seismic retrofit. It would be much more difficult, both in terms of credibility and independent contracting procedures, for those involved in the campaign to raise the funding necessary to present the campaign if the \$9.95 billion bond proceeds were to be administered by Caltrans.
- Who has the responsibility to contract? Current law states the CHSRA Board has the responsibility to design, build and operate a high-speed train system in California. Yet the peculiar language of this trailer bill suggests that Caltrans will be doing all contracting. The Attorney General's office should review that apparent dichotomy also and tell the legislature and us how the CHSRA Board's legislatively intended contracting authority would be impacted. Or will that intended independence cease to exist with all contracting shifted to Caltrans? That is a contradiction that is not only awkward for the CHSRA but could well stifle involvement by those fine technologies, from which we received presentation today, bidding on the project. We may not have the competition between the several different bidders that the California public deserves and that would provide the best high-speed rail system at the least cost?

It all boils down to, do we have the credibility and authority to accomplish this project under the institutional arrangements that this bill would create. Secondly, would it be accomplished as quickly and efficiently as if the institution structure were to remain unchanged? This is a \$25 billion project! Remember, if the construction inflation is 5% per year, which is low average, an unnecessary delay of one year results in the lost buying power of \$1.25 billion. That's 50 miles of track. That's a dozen train sets. That's why we have been demanding that the consultants meet their deadlines, working the staff extra hours, meeting frequently and making our Board decision without delay. We cannot afford to lose a minute on this project. I just can't believe this new institutional arrangement would not cost the Project a lot of time ... and buying power.

In the heat of this year's very difficult Executive Branch budget deliberations the Governor, Secretary of Business, Transportation and Housing and Caltrans Director may not have had all of these questions presented or answered. Hence, they must be answered before the California Legislature that originally created the CHSRA Project. I am looking forward to the letter from the Attorney General's office that we have requested. I am sure that we will review this issue again before this Board.

#### **Member Petrillo**

Dr. Bates indicated that we need to know a little more and there will be this oversight committee. However even if they were to show us in law and procedures the independence and the ability of the staff to carry out the types of goals we have, the question I ask is why make the change at all since you have achieved nothing. We should keep in mind that Caltrans has an extensive, complicated, opaque contracting procedure. Were that contracting procedure to be used in the future I suspect the first thing Caltrans would ask for is substantial increases to their budget to staff that. I don't see how an agency of that size would do anything other than that and consider itself taking care of its own internal procedure. Senator Florez stated he would incorporate those questions in the oversight hearing.

#### **Public Comment**

##### **Paul Brooks**

Mr. Brooks expressed his opposition of the Authority and the proposed high-speed rail system in California.

##### **Richard Silver, Rail Passenger Association of California (Rail PAC)**

Mr. Silver stated Rail PAC has some preliminary concerns about the Governor's proposed merger of the Authority and Caltrans. He expressed support for an independent Rail Commission. Mr. Silver stated that even if this idea were to continue, it should be delayed for at least one more funding cycle so that the merger can be more thought out and organized. This proposed merger doesn't seem like it is actually going to save any money, if anything it is going to cost more and create delays. Mr. Silver stated he wonders if this proposal is an attempt to "derail" high-speed rail so that the Maglev system could "take another bite of the apple".

##### **Mayor Harvey Hall, City of Bakersfield**

Mayor Hall stated that he was present when the Governor signed the high-speed rail bond bill. Mayor Hall shared the same sentiments as Senator Florez regarding this proposed consolidation as a death notice for the high-speed rail project. He cannot even get Caltrans to clean up the local freeways and therefore, had to create a staff of volunteers. Therefore, he feels Caltrans' contribution to a high-speed rail system will probably be the same. Mayor Hall commended the Authority Members and staff because he has attended many of the public meetings and therefore knows that they are very dedicated and very driven to help the people of California.

Chairperson Diridon announced John Ferninandi, former Chairman of the Fresno Area Residents for Rail Consolidation passed away and we mourn his passing.

**Identification of Date and Location of Next Meeting**

The next Authority Board meeting is scheduled on February 25, 2003 in Los Angeles, CA.

Meeting was adjourned at 1:00 p.m.